



Press Release
A K Infraprojects Private Limited
August 28, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	24.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	39.50	-	ACUITE A2 Assigned
Bank Loan Ratings	88.50	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	177.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BBB+' (read as ACUITE triple B plus)** from **'ACUITE BBB' (read as ACUITE triple B)** and the short-term rating to **'ACUITE A2' (read as ACUITE A two)** from **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.112.50 Cr. bank facilities of A K Infraprojects Private Limited (AKIPPL). The outlook remains **'Stable'**.

Acuite has assigned the long-term rating to **'ACUITE BBB+' (read as ACUITE triple B plus)** and the short-term rating to **'ACUITE A2' (read as ACUITE A two)** on the Rs. 64.50 Cr. bank facilities of A K Infraprojects Private Limited (AKIPPL). The outlook is **'Stable'**.

Rationale for rating upgrade

The rating upgrade takes into account the augmentation in the business risk profile of the group, marked by an improvement in scale of operations by 66 percent yo-y growth to Rs. 956.02 crore in FY2024 (Provisional) as against Rs. 575.75 crore in FY2023. The growth is primarily supported by the healthy execution of projects and the segmentally diversified order book position of the group. The group's total unexecuted order book position stood at Rs. 1502.04

crore as of June 30, 2024, providing adequate revenue visibility over the medium term. The rating also takes into account the strong clientele base, primarily from State Government entities, and the long-standing operations of the group in the civil construction industry, aided by the experienced management. The rating also draws comfort from the group's aboveaverage financial risk profile and the adequate liquidity position backed by improving accruals and low debt repayment obligations. However, these strengths are offset by the high receivables days of the group and the highly competitive industry they operate in.

About the Company

A K Infraprojects Private Limited (AKIPL), is incorporated in 2008 as a sister concern of AKCC. The company undertakes building and electrification works for the government entities in Uttar Pradesh. It is promoted by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak along with a set of skilled professionals.

About the Group

The group consists of two companies namely, A K Infra Projects Private Limited (AKIPPL) a

private limited company which was incorporated in 2008 and a sister concern A K Construction Company (AKCC). AKIPPL is promoted by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak along with a set of skilled professionals. The company undertakes building and electrification works for the government entities in Uttar Pradesh. Established in 1998, A K Construction Company (AKCC) is a partnership firm managed by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak. The firm is based in Uttar Pradesh and is engaged in civil construction works and undertakes contracts for constructing roads, bridges, government buildings.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of A K Construction Company (AKCC) and A K Infraprojects Private Limited (AKIPL) together referred to as the 'A K Group' (AKG). The consolidation is in the view of common management, strong operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Long-standing operations and experienced management

AK Group has established a long presence of around three decades in the civil construction industry and has developed a strong clientele base comprising government departments, National Highways & Infrastructure Development Corporation Ltd., Indian Oil Corporation Limited (IOCL), and Bharat Heavy Electrical Limited, to name a few. The group is managed by Mr. Awadesh Kumar Pathak, who has more than two decades of experience, and is supported by the decade-long expertise of Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak. Acuité believes that going forward, the growth of the group will be aided by the long track record of operations and the management's strong understanding of market dynamics.

Improvement in scale of operations

The group witnessed an improvement in its scale of operations marked by an operating income of Rs. 956.02 Cr. in FY2024 (Prov.) as against Rs. 575.75 Cr. in FY2023 due to healthy execution of their order book. Further, A K Group has a healthy unexecuted order book position to the tune of Rs. 1502.04 Crore approximately as on 30th June 2024. Going forward, the ability of the to bag new orders and timely execution of the existing orders will remain a key rating monitorable. The EBITDA margin of the group stood at 4.61 per cent in FY2024 (Prov.) as against 4.59 per cent in FY2023 and the PAT margin of the group stood at 3.26 per cent in FY2024 (Prov.) against 3.00 per cent in FY2023. Though the group's profitability is exposed to volatility in raw material, it has an in-built price escalation clause for major raw materials in most of its contracts. The group is expected to have better top-line in near to medium term supported by better margins as compared to previous years on account of better order book with higher margins.

Healthy Financial Risk Profile

The financial risk profile of the group is healthy marked by net-worth of Rs. 132.79 Crore as on 31st March 2024 (Prov.) against Rs. 100.59 Crore as on 31st March 2023. Further, the total debt of the group stood at Rs. 70.00 Crore as on 31st March 2024 (Prov.) against Rs. 47.88 Crore as on 31st March 2023. The capital structure of the group is comfortable marked by gearing ratio of the group which stood at 0.53 times as on 31st March 2024 (Prov.) against 0.48 times as on 31st March 2023. Further, the coverage indicators of the group improved reflected by interest coverage ratio and debt service coverage ratio of the group which stood at 4.24 times and

3.59 times respectively as on 31st March 2024 (Prov.) against 3.67 times and 3.05 times respectively as on 31st March 2023. The TOL/TNW ratio of the group stood at 0.88 times as on 31st March 2024 (Prov.) against 1.11 times as on 31st March 2023 and DEBT-EBITDA of the group stood at 1.56 times as on 31st March 2024 (Prov.) against 1.78 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the group will remain healthy with no major debt funded capex plans.

Moderate Working Capital operations

The working capital operations of the group is moderately marked by GCA days which stood constant at 62 days as on 31st March 2024 (Prov.) against 88 days as on 31st March 2023. There is an improvement in the GCA days due to the debtors days of the group which stood at 55 days in FY24 (prov.) against 76 days in FY23 and creditor days of the group stood at 23 days in FY24 (prov.) against 39 days in FY23.

Weaknesses

Presence of Competition in the industry

The civil construction sector is marked by the presence of several mid- to large-sized players. The group faces intense competition from other players in the sector. The group specialises in civil works related to the construction of roads and buildings, mainly for the government of Odisha and various municipal corporations in the state of Odisha. The group faces competition from large players as well as many local and small, unorganised players. However, this risk is mitigated to an extent on account of the experience of the management and the group's well-established presence in its territory.

Rating Sensitivities

- Sustainability in their growth in scale of operations while improving profitability margins
- Reduction in order flow
- Elongation in working capital cycle

Liquidity Position

Adequate

The liquidity profile of the group is adequate. The net cash accruals of group stood at Rs. 31.85 Crs. in FY 24 (prov.) against the CPLTD of Rs. 1.22 Cr. for the same period giving some legroom for growth fund. The group has cash & bank position of Rs. 9.62 Cr and current ratio stood at 1.89 times for FY 24 (prov.). The average fund based bank limit utilization is at 88.86% and non-fund based bank limit utilization is at 73.98% for the 6 months' period ending March 2024.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	956.02	575.75
PAT	Rs. Cr.	31.16	17.29
PAT Margin	(%)	3.26	3.00
Total Debt/Tangible Net Worth	Times	0.53	0.48
PBDIT/Interest	Times	4.24	3.67

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jun 2023	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	32.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	15.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	38.00	ACUITE A3+ (Upgraded from ACUITE A3)
30 May 2022	Bank Guarantee (BLR)	Short Term	32.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	45.00	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A2 Upgraded (from ACUITE A3+)
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE A2 Upgraded (from ACUITE A3+)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.50	ACUITE A2 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2 Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	A K Construction Company
2	A K InfraProjects Private Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Siddharth Garg Associate Analyst-Rating Operations Tel: 022-49294065 siddharth.garg@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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